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Re: Billing Services, D.T.E. 01-28 (Phase II)

Dear Attorneys Cope-Flanagan, Habib, Klionsky, Rabinowitz and Werlin:

On December 21, 2001, Massachusetts Electric Company ("MECo"), Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company, d/b/a NSTAR Electric ("NSTAR"), and Western Massachusetts Electric Company ("WMECo") submitted motions for clarification or reconsideration of the Department of Telecommunications

and Energy's ("Department") decision in Billing Services, D.T.E. 01-28 (Phase II) (2001).¹ In pertinent part, the Department's Order considered the method by which a customer's partial payment should be allocated between the customer's distribution company and his competitive supplier.² Id. at 5-15. Specifically, the Department directed that electric companies submit tariffs that allow for the allocation of partial payments between those electric companies and competitive suppliers on a pro-rata basis, in proportion to the percentage of the combined charges billed to customers. Id. at 15. The Department directed the electric companies to submit the tariffs with an effective date of February 1, 2002.

The Motions submitted by MECo, NSTAR, and WMECo state that while the Department directed the electric companies to submit tariffs that indicate the pro-rata allocation method would be effective on February 1, 2002, the Department was silent as to the date on which the new allocation method should be implemented (MECo Motion at 4-5; NSTAR Motion at 5; WMECo Motion at 4). Thus, the electric companies seek clarification from the Department that the actual implementation of the pro-rata method was intended to be after each company had an opportunity to make the necessary changes to the billing systems. NSTAR indicated that their billing system could accommodate the implementation of the pro-rata method by October 1, 2002; MECo and WMECo stated that it would take "several months" to implement the pro-rata method.³ Alternatively, MECo, NSTAR and WMECo state that if the Department intended February 1, 2002 to be the implementation date for the pro-rata method, then we should reconsider our decision and direct an implementation date after the electric companies' have had the opportunity to make the changes to their billing systems.

In Billing Services, D.T.E. 01-28 (Phase II) the Department established a policy for adherence by electric companies concerning, among other things, how partial payments should be allocated between those companies and competitive suppliers. The policy was developed after consideration of comments submitted by the electric companies, as well as the Attorney

¹ On December 21, 2001, Fitchburg Gas and Electric Light Company submitted a letter in support of the motions submitted by NSTAR and WMECo.

² The issue of partial payment allocation is pertinent for customers that receive a single bill from their distribution companies (which includes both distribution company-related charges and competitive supplier-related charges).

³ The distribution companies state that there are several complex procedures they must complete in order to implement the pro-rata allocation method: (1) development of an algorithm to calculate the pro-rata percentages; (2) modification of their customer information and credit systems to track and report each customer's payment allocation; (3) creation of new databases to store and retrieve customer payments; and (4) testing of the new and modified systems.

General, the Division of Energy Resources, Competitive Suppliers (i.e., AES New Energy, Inc.; AllEnergy Gas and Electric Marketing, L.L.C.; Enron Energy Services; Exelon Energy Company; Green Mountain Energy Company; New Power Company; and, SmartEnergy, Inc.), and the Utility Workers Union of America. As the tariffs were submitted in compliance with the Department's policy on partial payment allocations -- as opposed to a Department order that is issued as a result of a G.L. c. 30A adjudication -- a motion for clarification and/or reconsideration of our Order in D.T.E. 01-28 (Phase II) is not the appropriate venue for relief from the Department's directives concerning billing issues. Nonetheless, in their motions, MECo, NSTAR, and WMECo have raised important issues that need to be considered by the Department.

In determining the appropriate date for implementing the pro-rata allocation method, the Department has two objectives: (1) ensure that suppliers receive their payments in a timely manner; and (2) provide the electric companies with reasonable time to coordinate their in-house system changes so that the Department's policy on partial payments can be implemented efficiently and expeditiously. Because the implementation date of February 1, 2002 could not be met by the electric companies due to the technical upgrades that need be incorporated into billing systems, the Department will allow the electric companies to implement the pro-rata method by January 1, 2003.

Despite extending the implementation date of the pro-rata payment method until January 2003, the Department remains committed to ensuring that suppliers receive their payments in a timely manner. To that end, from June 1, 2002 through December 31, 2002, we direct the electric companies to implement an interim payment allocation method whereby monies are allocated as follows: (1) distribution company arrears; (2) competitive supplier arrears; (3) distribution company current balances; and (4) competitive supplier current balances.

Therefore, the Department directs each electric company to submit tariffs indicating that it will implement the pro-rata allocation method on January 1, 2003. The Department also directs each electric company to submit tariffs indicating that the company will implement, on June 1, 2002, the interim payment allocation method detailed herein. The tariffs should

include a termination date for the interim method of December 31, 2002.

Sincerely yours,

James Connelly, Chairman

W. Robert Keating, Commissioner

Paul B. Vasington, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner